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DRUG STORE NEWS®

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American Stores opts to decentralize

To build Osco ID, foil any takeover bids

By Al Heller
SALT LAKE CITY — American Stores will decentralize in part to carve a higher identity for its powerhouse 29-state Osco Drug division and better enable the \$14 billion conglomerate to fend off any hostile takeover attempt.

In a restructure set for Feb. 2, according to an American spokesman, three distinct operating divisions will be created at American: Osco Drug; a Western food group made up of Alpha Beta, Skaggs Alpha Beta and Buttrey; and an Eastern food group made up of Acme Markets, Jewel Food Stores and Star Markets.

Chairman L. S. Skaggs announced in the same lengthy but pointed letter to stockholders that the board adopted a shareholder rights distribution designed to discourage unwanted buyout bids.

Protective rights

The protective rights will be exercisable if a person or



'He's probably the No. 1 retail drug manager in the U.S.'

—Midwestern analyst,
speaking of Osco president
Richard George

group acquires 20% ownership or announces a tender offer for 30% or more of American Stores common stock.

In an apparently angry tone about the rash of stock raids on retailers, Skaggs wrote holders that "over 250 other companies have issued" similar rights

See *American*, page 38

Revco approves \$1.25B management buyout offer

By Dave Vaczek
TWINSBURG, Ohio — Revco's Board of Directors approved a sweetened \$1.25 billion buyout offer from a management group, breaking a six-month stalemate.

But retail analysts said that by raising its bid by \$90 million, management will face heightened hurdles for cost containment and operations efficiency with pressure to curtail store growth and leave marginal markets.

The board endorsed a \$38.50 cash per share offer, which analysts termed a good value for shareholders, who now must approve the buyout by a majority vote by mid-November.

Expects approval

Sidney Dworkin, Revco's chairman and ceo, who is leading the buyout, said he was "delighted" by the board's acceptance and expects shareholder approval. The 2,000-store chain announced that it and Anac Holdings Corp., a company formed by the investor group, reached a definitive merger agreement on Aug. 16.

The offer, which had been



Sidney Dworkin

expected for several months, topped the group's initial March 11 bid of \$33 per share in cash and securities valued at an additional \$3.

Dworkin said he was "pleased that the members of management will have the opportunity to have a continuing stake in the future of Revco."

Dworkin, president William Edwards and R. Carroll Hudson, vp, cfo, are the only three officers who have been named as participating, although 12 to 15 other company executives reportedly will join the group.

Dworkin declined to elaborate on the buyout.

The investor group includes Transcontinental Services Group NV, an investment holding company affiliated with the Rothschild banking family. TSG is contributing \$54 million. Management is adding \$11 million.

The financing also includes \$450 million of senior bank debt from a bank group led by Wells Fargo and Marine Midland banks, \$85 million of convertible preferred stock and \$700 million of subordinated

See *Revco*, page 38

Revlon's pending takeovers greeted with mixed reviews

By Liz Parks

NEW YORK — Retailers and Wall Street had mixed reactions to Revlon's pending takeover of Max Factor, Almay and Halston.

Retailers said they were worried about the potential confusion that such a takeover could bring to their planograms and promotional plans, while some Wall Street analysts said they viewed the pending takeover as a case of "the blind leading the blind."

At Fay's Drug in Liverpool, N.Y., merchandise manager Gale Mitchell worried that the

merger would add more layers of confusion to what many retailers said was still a "very confused situation" at Revlon.

Retailers like Mitchell pointed out that Revlon's management and its sales and service teams were still digesting the changes that resulted from their takeover last winter by Pantry Pride and its chairman, Ronald O. Perelman.

Confusion compounded

"Even before this happened," Mitchell said, "they were confused. Nobody really

See *Revlon*, page 38

Thrifty has big plans for Jrs.

25 stores set to open
over next 12 months

LOS ANGELES — Thrifty Corp. has aggressive growth plans for its Thrifty Jr. division, with 25 store openings slated over the next 12 months, Richard Eils, president and ceo, told shareholders last month.

At the annual meeting, which also resulted in the approval of Thrifty's merger with Pacific Lighting Corp., Eils said the first remodeled downsized Thrifty Jr. stores were showing the same vigorous sales growth as full-size

Thrifty stores remodeled under the Perfecto program.

Eils said the first three remodeled Jrs. were racking up "increases of more than 25% over the same period a year ago." The remodeling and re-merchandising of all Jrs. will be completed early in 1987.

Eils said that the chain also plans to open 25 full-size Perfecto's in the next 12 months.

To date, the chain has signed 12 leases, with 17 more under negotiation for full-sized Thriftys. As for Jr., Eils said Thrifty has signed 19 leases and two more are in the negotiation stage.

See *Thrifty*, page 37

Combines with Ralphs
in So. Calif. locations

LOS ANGELES — After building its 31-store Thrifty Jr. division through acquisitions, Thrifty Drug is opening the next 10 Jrs. as subtenants of Ralphs Grocery Company's Giant superwarehouse stores.

The 10 downsized Jr. stores are scheduled to open between September and November 1986.

Ralphs Giant stores, which range in size from 60,000 to 110,000 sq. ft., are takeovers of shuttered Zody's discount department store locations in southern California.

The 4,500-sq.-ft. Jrs., with outside entrances, will be one of 12 to 18 subleased units along the front concourse.

According to an insider, Thrifty and Ralphs execs spent three months deciding which items Jr. would carry. "They went over the drug

See *Ralphs*, page 37

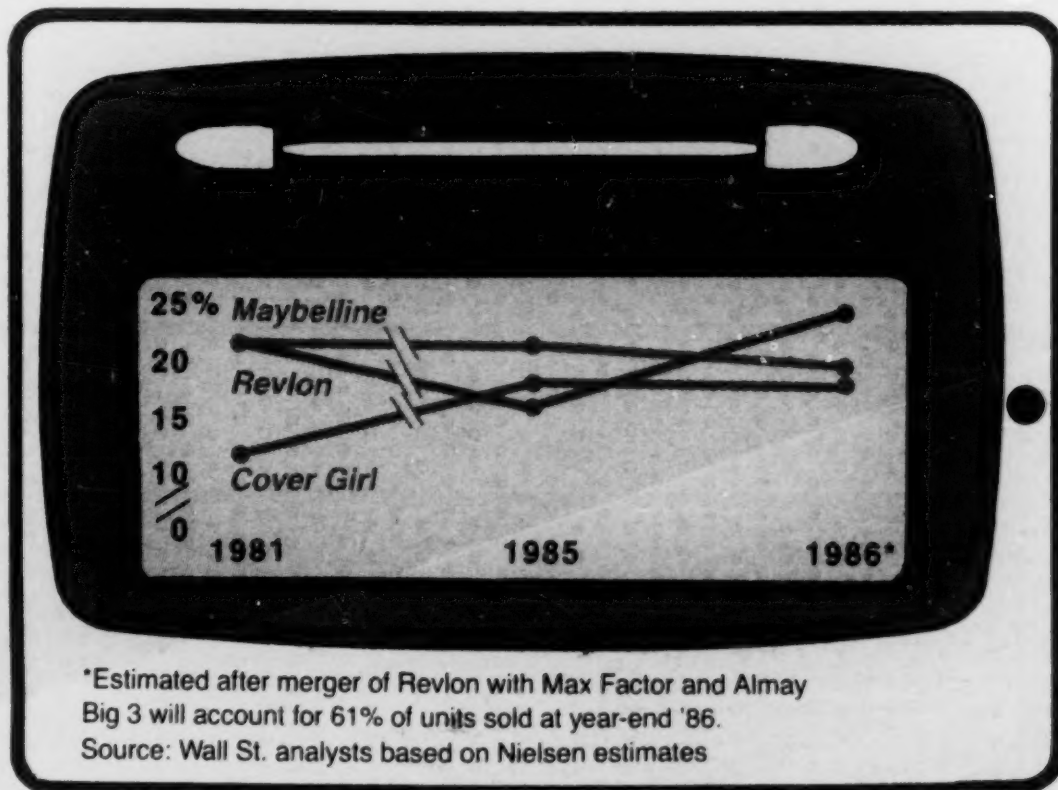
Kanner: Calcium sales still hefty amid osteoporosis fears

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NACDS steamed over health insurance bill

WASHINGTON — Drug chains and other employers faced with the administrative burden of offering continued health insurance coverage to ex-workers and their dependents may soon be slapped with an even more costly new government requirement.

Legislation now moving in the Senate would amend the current law to require employers to pay at least part of the health insurance premiums for former employees—even workers who voluntarily quit their jobs.

That bill, being pushed by Sen. Edward Kennedy (D-

Mass.), would make a bad situation worse, according to officials at the National Association of Chain Drug Stores.

Continued coverage now optional

The new Federal law—part of the Consolidated Omnibus Reconciliation Act (COBRA)—obliges all employers with more than 20 workers to offer departing employees (as well as their divorced spouses, widows or other surviving dependents) the option of continuing their group health insurance coverage for up to 18 months.

COBRA does not require the employer to pay the insurance premiums for ex-workers, however, and in fact permits firms to bill former employees an additional 2% to cover administrative expenses involved in continuing coverage.

The new law, which passed Congress quietly earlier this year and took effect on July 1, has already caused a stream of complaints from employers in high-turnover, labor-intensive industries, who claim a 2% surcharge does not begin to offset the administrative cost of continuing health insurance for ex-employees.

Complaints already voiced

"We have already received a number of complaints from our members about this new burden, and we consider this requirement a serious prob-

lem for the chain drug industry," Ty Kelley, NACDS government-relations vice president, told *Drug Store News*.

Along with other industry groups, NACDS plans to seek legislative changes in COBRA to ease the burden on employers.

The amendment sponsored by the Massachusetts Democrat would require employers to continue paying the same percentage share of each departing worker's health care premium for four months after termination.

As firms with generous employee health insurance benefits would be hardest hit by this plan (e.g., an employer who pays 100% of the employee's premium would be required to continue paying the full share), critics of the bill maintain it would encourage

many businesses to cut back on employee health coverage or eliminate these benefits altogether.

'Insurance risk pools'

Kennedy's legislation, which is drawing broad support from Congressional Democrats, would also set up state "insurance risk pools" to provide coverage for the "medically uninsurable." Under the proposal, any cost "shortfall" in these insurance pools would be paid by employers offering employee health care benefits.

Kennedy said the legislation is needed because 37 million Americans have no health insurance at all.

Moreover, he told Congress that a million Americans a year are refused health care because they can't pay.

NEWS IN BRIEF

Bill Adams dies in plane crash

RALEIGH, N.C. — Bill Adams, president of Adams Sales Co. and a member of the executive committee of NAGMR, died when his plane crashed July 24. His wife, Barbara, also died in the accident. They are survived by their three children, William, Bradley and Michele.

Perry groundbreaking set

PONTIAC, Mich. — Perry Drug Stores announced it will break ground this fall on a new 200,000-sq.-ft. corporate office center downtown. The project, undertaken with the Rouse Co., the Columbia, Md., real estate developer, will consolidate office space now parceled among five buildings in the metro area.

Perry's \$20 million office building will house its 500 corporate employees and will also anchor a major redevelopment effort on 7.5 downtown acres. The first phase will include a 2.5- to 3-acre public plaza.

F&M makes topsider changes

WARREN, Mich. — F&M Distributors reshuffled some top management positions with the exit of two operations vps last month.

The deep discount chain said that Earl Weissert, a former regional vp with the McCrory Corp. variety store chain, has been named vp-store operations, replacing Richard Butler. Butler resigned to take the post of senior vp-store operations at Revco.

Also, Richard McClean, vp-store operations, resigned. Arthur Kainz, formerly with K mart, has been named director of real estate, assuming one duty that had been under McClean's jurisdiction, F&M said.

Construction begins on Pay Less DC

WOODLAND, Calif. — Pay Less Drug Stores NW has begun construction on a 501,903-sq.-ft. distribution center here to service its stores in California, said G. Boyd Semper, vp-construction.

The DC will cost \$15 million to complete.

Circular revamp sparks Valu-Rite

SAN FRANCISCO — McKesson has completed the restructuring of its Valu-Rite program. The payoff: The voluntary group now accounts for 17% of McKesson's wholesale sales, and the number of Valu-Rite stores has been increased from 1,600 in September 1985 to 2,230 today. McKesson expects to boost the store count to 2,500 by March 1987.

The revitalization of Valu-Rite was sparked by changes in the monthly ad circular. The number of health and beauty aids' items was doubled (from 15 to 30) when the H&BA pages were doubled (from one to two).

The 12-page circular has been eliminated (except for back-to-school and Christmas) in favor of the four and eight pagers because, said Joe Polastri, president of McKesson Drug, "the products for the 12 pages were just too many for the average store."

Use of photos

Another change is the use of photos instead of drawings for this Christmas. "Photos help upgrade the presentation," said Polastri.

In addition, ad items have

been revamped. "We eliminated Hong Kong Honeys [low price items that fail to sell through]," said Polastri. "We also made a change in the circular to include more consumable grocery and H&BA items. Furthermore, we increased the retailer's gross margin three points."

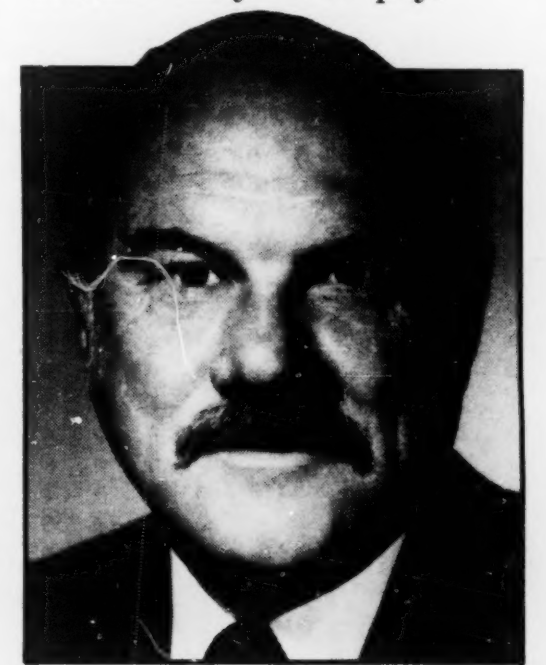
Value-Rite has increased the number of private label items from 100 to 150 and now requires that all Valu-Rite stores carry private label. On the other hand, the wholesaler does not require participation in the circular program.

Generics expanded

Generics were also expanded. Valu-Rite now carries 270 items (90 each from URL, Rugby and Gold Line).

A keystone of the program is the centralization of administration. Under the "one-umbrella" approach, Valu-Rite now operates out of McKesson's national headquarters in San Francisco.

Still, the feedback from the field continues. Every month, the three regional Valu-Rite sales managers meet with Valu-Rite buyers at McKesson headquarters for two days



Joe Polastri
president, McKesson Drug

to help price and select the items for the ad.

McKesson's next goal (set for the spring of 1987) is to advertise regional items (three on the front page, three on the back).

In an attempt at further geographic breakout, Valu-Rite has selected 20 test stores throughout the United States to monitor the movement of ad items, starting with back-to-school.

4 Valu-Rite DCs

There are now four Valu-Rite distribution centers: Anaheim and Portland have 35,000 sq. ft. each, and Chicago and Memphis have 100,000 sq. ft. each. A fifth DC, (25,000 sq. ft.) is scheduled to open in Methuen, Mass. (outside Boston) in October 1987.

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Butler and Sebok gain Revco top spots

TWINSBURG, Ohio — In a top management shift, Revco D.S. has hired away one executive from F&M Distributors and has created a new pharmacy management post.

Revco said A. Richard Butler, 55, has been named senior vp-store operations, with responsibility for all operational phases of Revco's 2,031 stores. Butler has been vp-store management at F&M Distributors for five years.

He will replace Albert Sebok, 54, who moves to the newly created post of senior vp-professional operations, responsible for pharmacy. Sebok has been senior vp-store operations since 1980.

Butler brings expertise in discount gm and OTC merchandising that Revco has

sought since William Edwards was hired from F&M in June 1985 to strengthen front-end merchandising as Revco president and ceo. Edwards led F&M as president for seven years. Butler will report to executive vp Marc Dworkin.

Edwards said the appointments "add strength and breadth to the management base."

Pharmacy will undergo increased emphasis under Sebok, who will report to Butler.

"In Al Sebok, we feel we have the best-qualified person in the industry to direct the future growth of the professional foundation of our drug store operations, an area of increasing importance as pharmacists take on an increasing role as members of the health care

team," said Edwards.

Butler started his career as a store manager trainee with W. T. Grant Co., where Edwards also was employed. Before moving to F&M, the Detroit-based deep discounter, he was vp and general manager of Consolidated Sales Co., Louisville, Ky., a full-line discounter and division of Cook United.

Sebok joined Revco in 1961, when the chain bought Standard Drug of Cleveland. Sebok had been a store manager at Standard.

As head of Revco's 4,000 pharmacists, Sebok will emphasize pharmacist education and developing the chain's pharmacy computer program, which is scheduled for full installation by 1989.

FINANCIAL

Med-Glaser sells 50% PDS share to Trimel

Steinbaum stresses future benefits

ST. LOUIS — By selling a 50% interest in its medical database subsidiary and giving control of it to a stronger marketer, Medicare-Glaser will reap several benefits.

Financial Analysis

In an interview with *Drug Store News*, chairman and president Harlan Steinbaum said the move will enable the 97-store chain to:

- Refocus its energies on

strengthening its primary drug retailing and health care business, particularly in merchandising.

- Eliminate the drain of the Professional Drug Systems subsidiary on the corporate bottom line.

- Share in the anticipated faster growth of PDS, as its new part-owner will look to place the system at other retailers, hospitals and medical centers.

In a deal due to be completed

at presstime (Aug. 15), Medicare-Glaser was to sell a half interest in PDS to Trimel Communications, a Toronto-based publisher of health care magazines in Canada.

Trimel, which will manage the day-to-day affairs of PDS, is due to pay \$500,000 in two installments to Medicare-Glaser, the first on Aug. 15 and the next on Feb. 1, 1987.

Steinbaum characterized three-year-old PDS as still "in a developmental phase," adding, "There's a cost when building a business."

In a related matter, Steinbaum said he knew of no reason for an upsurge in trading activity in his company's stock that occurred in late July and nudged the stock price above \$5 per share at the time, but by presstime had stabilized at about \$4.50.

Signed leases

Medicare-Glaser, which operates stores in four formats—49 professional pharmacies, 38 full-line drug stores, 10 retail optical outlets and a home health care center—has recently signed

leases for two additional full-line drug stores and has acquired two professional pharmacies, one in Bristol, Conn., and one in St. Louis. All these stores combined should push Medicare-Glaser above the 100-store count.

The company also reported a turnaround in net earnings on marginally higher sales in the first quarter ended June 30. The chain showed a first-quarter profit of \$4,000, compared with a loss of \$138,000 in the comparable quarter a year ago.

Melville net, sales climb

HARRISON, N.Y. — Melville Corp., parent of CVS and deep discounter Freddy's, reported higher net earnings and sales in the six months ended June 30.

Net earnings jumped 36.9% to \$57.3 million, up from \$41.9 million in the comparable half a year ago.

Sales in the first half rose 11.1% to \$2.27 billion, up from \$2.05 billion a year earlier.

In the second quarter, sales rose 8.1% to \$1.24 billion, up from \$1.15 billion in the same 1985 period. Net earnings slid 2.3% to \$46.6 million from \$47.7 million a year earlier.

Perry sees 3rd quarter net slide

PONTIAC, Mich. — Perry Drug Stores released preliminary mixed results for the third quarter and nine months, which the company said it expected to report fully in early September.

Perry announced that net for the third quarter ended July 31 "was considerably lower" than a year ago, but that sales for the third quarter and nine months would "set new records." Last year, third-quarter sales were \$140 million and nine-month sales were \$377 million.

Med Shoppe net earnings rise in 3rd

ST. LOUIS — Medicine Shoppe International reported higher net earnings and revenues in the third quarter and nine months ended June 30.

The nation's largest franchisor of pharmacies, operating 615 at quarter's end, reported a 20% net earnings gain in the third quarter to \$887,214, compared with \$742,347 a year earlier.

Revenues rose in the same period by 26% to \$4.3 million, up from \$3.4 million a year ago.

For the nine months, revenues climbed 21% to \$12.3 million, up from \$10.2 million in the comparable period a year ago. Net earnings for nine months rose by 18% to \$2.5 million, compared with \$2.1 million in the 1985 period.

Bergen expects \$9.4M gain in stock sale

ORANGE, Calif. — Bergen Brunswig announced it expects to report a gain of about \$9.4 million in the fourth quarter ending Aug. 31. The gain would be from an initial public offering of two million common shares of its former Commtron Corp. subsidiary.

Bergen, the nation's second-largest drug wholesaler, earned \$5.9 million, or 46¢ a share, on revenue of \$680.3 million in the year-earlier fourth quarter, including a \$55,000 extraordinary credit.

Bergen is offering two million Commtron Class A common shares at \$12 each, using Drexel Burnham Lambert as chief underwriter. Commtron is the largest distributor of videocassettes in the United States.

Hannaford revenues up

SCARBOROUGH, Me. — Hannaford Bros., the parent of Wellby Drug, reported higher revenues and net income in the quarter and six months ended June 28.

Revenues rose in the quarter to \$213 million, up from \$200 million in the comparable quarter a year ago. Net income rose to \$4.9 million, up from \$3.5 million in the same period.

For the six months, revenues climbed to \$415 million, up from \$388 million. Net income rose to \$8.5 million, up from \$5.8 million.

		STOCK PRICE								EARNINGS/SHARE			P/E	DIVIDENDS	
		From 08/01/86 - 08/13/86								Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		Latest P/E Ratio	Indicated Div. Rate	
Name	Symbol	High	Low	Close	Change		52-Week		Amt.		Pct.	Amt.		Pct.	Amt.
-	-	\$	\$	\$	\$	%	\$	\$	\$	\$	%	-	\$	%	
Chain Store transactions															
Am Stores	ASC	70.00	62.50	69.50	6.75	10.76	71.25	53.13	4.11	-1.33 q	-23.8	16.3	.84	1.2	
Begley Co	BGLY	22.50	22.50	22.50	.88	4.05	23.50	15.50	1.27	.01 f	.8	17.7	.72	3.0	
Big B	BIGB	17.63	17.25	17.63	-.38	-2.08	18.75	12.63	.61	-.04 q	-5.7	26.7	.00	.0	
Drug Sys	DRGS	7.50	6.63	7.50	.88	13.21	8.25	3.75	-.43	-.78 f	-100.0	NE	.45	6.0	
Fay's Drug	FAY	10.13	9.25	9.88	.25	2.60	11.75	8.00	.20	-.50 q	-87.7	NM	.20	2.0	
Genovese Drug	GDX	16.63	15.00	15.38	.00	.00	16.63	9.63	.73	-.17 q	-19.1	21.4	.20	1.3	
Longs Drg Strs	LDG	34.50	32.88	33.00	-.63	-1.86	38.75	24.75	1.74	-.19 q	-9.9	19.1	.76	2.3	
Medicare Glaser	MGCO	4.50	4.50	4.50	.00	.00	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0	
Medicine Shoppe	MSII	29.25	28.75	29.25	-.50	-1.68	32.00	21.00	.84	.15 n	18.8	30.8	.00	.0	
Perry Drug	PDS	18.13	14.25	14.88	-3.00	-16.78	20.88	12.75	.98	.14 *	16.7	15.2	.22	1.5	
Revco Drug	RDS	35.88	34.75	35.25	-.13	-.35	39.88	24.25	1.72	.66 f	62.3	20.5	.80	2.3	
Rite Aid Corp	RAD	34.75	32.25	33.38	.13	.38	35.50	21.50	1.52	.09 q	5.6	19.7	.58	1.7	
Walgreen Co	WAG	37.00	33.25	36.88	2.38	6.88	39.50	22.50	1.53	.14 n	9.2	22.1	.50	1.4	
Wholesaler's transactions															
Alco Hlth	AAHS	20.75	20.25	20.38	-.13	-.61	25.38	12.75	1.10	.19 n	18.3	16.6	.00	.0	
Bergen Bruns	BBCA	23.00	21.50	22.38	.38	1.70	37.25	21.50	1.82	-.26 n	-14.4	14.4	.32	1.4	
Bindley Wstn	BIND	11.63	10.63	11.63	.75	6.90	12.50	7.75	.79	.09 s	11.5	13.4	.00	.0	
Cardinal Distrib	CDIC	19.25	19.00	19.25	.00	.00	25.25	14.22	1.36	.40 q	40.8	13.9	.08	.4	
Durr Fillauer	DUFM	12.88	12.00	12.88	.63	5.10	16.75	9.25	.78	-.02 s	-2.5	16.3	.16	1.2	
Ketchum	KCH	19.75	18.13	19.75	.00	.00	23.25	14.75	.17	-.39 f	-69.6	NM	.00	.0	
McKesson Cp	MCK	64.13	62.00	63.00	-.63	-.98	66.25	44.88	3.96	.37 q	10.1	15.6	2.56	4.1	
Moore Med	MMD	25.75	23.63	25.13	1.25	5.24	25.75	15.75	1.45	.23 s	18.3	16.9	.00	.0	
Owens & Minor	OBOD	15.13	14.50	15.13	.88	6.14	20.25	13.38	1.14	-.03 s	-2.8	14.4	.30	2.0	
Manufacturer's transactions															
Abbott Labs	ABT	53.38	50.63	52.50	1.00	1.94	55.00	26.44	1.94	.32 s	17.8	24.8	.84	1.6	
Am Home Prod	AHP	92.63	87.38	92.50	4.88	5.56	92.63	54.75	4.70	.40 s	8.8	18.8	3.10	3.4	
Baxter Travenol	BAX	19.63	18.13	19.00	.25	1.33	21.25	12.38	.85	.43 s	238.9	31.1	.40	2.1	
Block Drugs Co	BLOCA	26.75	25.50	26.75	1.00	3.88	26.75	18.69	1.84	.15 q	8.6	14.2	.50	1.9	
Bolar Pharm	BLR	28.38	24.38	28.38	2.25	8.61	32.88	12.00	.71	.17 q	26.2	34.6	.05	.2	
Bristol-Myers	BMV	82.75	77.88	82.38	1.75	2.17	88.50	53.63	3.86	.24 s	6.6	21.2	2.20	2.7	
Carter-Wallace	CAR	78.00	73.38	76.88	3.38	4.59	78.00	32.38	3.63	1.03 q	35.9	19.7	.80	1.0	
Forest Labs	FRX	19.75	17.50	19.63	1.13	6.08	20.38	10.56	.49	.15 q	37.5	35.7	.00	.0	
ICN Pharm	ICN	23.00	18.00	22.00	2.75	14.29	23.00	8.50	-2.10	-.22 s	-100.0	NE	.00	.0	
Lilly Eli Co	LLY	80.00	72.88	79.50	5.25	7.07	83.50	41.50	3.69	.39 s	11.1	20.3	1.80	2.3	
Lee Pharm	LPH	34.25	29.13	31.00	-2.88	-8.49	38.63	5.63	.40	1.62 n	450.0	15.7	.00	.0	
Leiner P Nutri	PLIN	17.50	16.50	17.00	-1.00	-5.56	21.00	8.50	.81	.26 q	40.6	18.9	.00	.0	
Marion Labs	MKC	48.50	40.25	48.50	6.13	14.45	49.63	15.63	.70	.23 f	48.9	69.3	.20	.4	
Merck & Co	MRK	113.50	106.25	112.25	4.38	4.06	113.50	51.75	3.79	.76 s	21.7	26.3	2.20	2.0	
Morton Thiokol	MTI	36.75	33.25	36.75	3.38	10.11	40.50	30.00	2.80	.30 f	12.0	13.1	.70	1.9	
Mylan Labs	MYL	15.25	13.50	14.63	.63	4.46	18.09	9.00	.57	.24 q	63.2	23.6	.07	.5	
Newport Pharm	NWPH	6.75	5.38	6.75	1.13	20.00	14.50	4.88	-.08	-.13 f	-100.0	NE	.80	11.9	
Par Pharm	PARP	18.00	15.75	18.00	1.75	10.77	20.75	14.25	.47	.01 s	2.0	35.3	.00	.0	
Pfizer Inc	PFE	70.88	66.00	70.38	3.13	4.65	72.88	43.75	3.44	.39 s	11.9	19.2	1.64	2.3	
Robins, AH	QRAH	10.00	9.25	10.00	.50	5.26	15.63	5.50	2.53	20.85 s	NE	3.7	.00	.0	
Rorer Group	ROR	38.25	35.75	37.38	1.00	2.75	47.00	32.50	1.72	5.00 s	240.4	5.3	1.12	3.0	
Scherer RP Co	SCHC	19.50	17.00	19.50	1.75	9.86	19.50	11.50	-1.23	-.66 q	NE	NE	.32	1.6	
Scher Plough	SGP	84.63	80.13	84.00	1.38	1.66	88.00	45.00	3.77	.44 s	12.3	20.9	1.80	2.1	
Squibb Corp	SOB	124.13	116.75	123.38	4.63	3.89	124.13	65.13	4.20	.86 s	22.3	26.1	2.00	1.6	
Sterling Drug	STY	49.88	46.88	49.13	-.63	-1.26	50.75	29.50	1.83	-.48 s	-19.6	24.9	1.32	2.7	
Syntex Corp	SYN	72.25	66.88	71.50	3.13	4.57	72.75	29.00	4.65	3.31 n	160.7	13.3	1.60	2.2	
Thompson Med	TM	14.50	14.13	14.25	.13	.89	21.00	11.75	1.18	-.44 s	-29.1	13.3	.40	2.8	
Upjohn Co	UPJ	90.75	81.50	90.13	2.63	3.00	103.75	50.38	3.29	.93 s	34.4	24.8	1.52	1.7	
Warner-Lambert	WLA	62.75	57.00	62.25	3.63	6.18	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.5	
Zenith Labs	ZEN	11.88	9.00	11.50	1.00	9.52	18.31	8.69	.73	.42 s	135.5	15.8	.05	.4	

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

- NA - Item not applicable to this type of stock.
- NC - Data required for calculation currently incomplete in our files.
- NE - Negative earnings invalidate calculations.
- NM - No meaningful figure.

- q - First quarter
- s - First six months
- n - First nine months
- f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Buyers see 'protectors' invigorating vitamin sales

Vitamin and supplement buyers and suppliers are searching for the new hot product that will put a spike in the category's sales—now that calcium seems to be peaking.

Few argue the category could use a jolt. Without adding the incremental business produced by calcium products last year, chain drug store volume would have been flat. Instead, chains reported a 12.3% surge in sales to a new high of \$414.5 million.

Now, many are predicting protector vitamins, marine lipids and fiber supplements will be the catalysts behind what they hope will be a 10%-12% sales gain in 1986.

Perhaps the area with the greatest potential is protector vitamins—a move kicked off on the East Coast instead of the West Coast. Nutley, N.J.-based Hoffmann-La Roche saw a need to ignite sales of its raw vitamin materials. So the company funded research behind three key vitamins: vitamin A, vitamin E and Beta-Carotene.

The firm's research concluded that these protectors halt the activity of free radicals. Free radicals are molecules with an extra electron that are often unstable and, when combined with harmful elements, can lead to cancer.

Although a vitamin cannot make an advertising claim that it prohibits cancer, the research is being picked up by many newspapers and TV talk shows. Manufacturers are putting their money behind the lines in hopes the American consumer gets the message. For example:

- Vita-Fresh offers a protector line—including calcium—complete with informational neck-tags. The neck-tags tell consumers the benefits of the par-

The vitamin category: A comparison of trade classes

	Drug	Food	Combo	Discount
Average sku's per store	237	68	381	173
Average depth of each sku	93	97	155	161
Average vitamin sales per million dollars of store volume	\$4,955	\$281	\$843	N/A

Source: A. C. Nielsen



Fay's, Schenectady, N.Y., surrounds its 8 ft. of vitamins with popular diet aids and high-traffic pharmacy, even extending part of the self-service display behind the prescription counter.

ticular vitamins. Vita-Fresh is also using the Roche shield symbol as a way to alert customers to the line.

- Pharmavite's Chris Ireland-Culp, group marketing manager, has seen a surge in sales of the company's protector vitamins. She believes it will be one of the next hot areas.

- Jameson is rolling out Natural Health Shield, its version of the protec-

tor vitamins.

- Several concerns are grouping together the protectors and merchandising them in daily packets. Vita-Fresh, for instance, has a packet with one Beta-Carotene, one C, one E and two calciums.

Yet the reaction from the trade has been only lukewarm. "We've heard a great deal about the success of protec-

tors back East, but I'm not sure if it'll hit this market," said Harco Drug buyer Keith Connell.

Sources at Perry, Walgreens, Longs and Peoples expressed similar thoughts. "But we are looking at it as being important," added Steve Lund, who oversees the department at Perry Drug Stores.

See Vitamin, page 14

Retailers eye study's effect on peaking calcium category

Retailers agree that calcium has been the hottest addition to the vitamin/supplement category—but the shakeout of brands is already beginning.

Then, too, retailers say they are closely gauging consumer reaction to a recent Mayo Clinic report that suggests calcium supplements do little to prevent the disease called osteoporosis.

See additional coverage, pages 22, 33

The reason the category exploded, they say, was because of initial reports linking calcium to halting excessive loss of bone mass, a beginning stage of osteoporosis.

"I don't know if it [the study] will hurt our calcium sales," said Harco's buyer Keith Connell. "It hasn't yet."

Buyers from chains ranging from Vons to Perry say calcium sales are dynamic, although sales growth is slowing.

"But growth can't keep up the pace it

set in 1985," explained a source at Peoples.

According to Allan G. Mottus, publisher of *The Informationist*, an industry newsletter, calcium sales skyrocketed from a meager \$18 million market in 1980 to \$160 million in 1985. Total volume should surpass \$200 million this year. Vendors estimate it has the potential to hit \$500 million.

Retailers welcomed the category because it brought shoppers back to the vitamin area—a category that had lost some of its allure in recent years. Most chains were quick to carve space out of the existing vitamin departments for the calcium entries. The category, in return, brought them attractive results.

Growth in drug stores zoomed 37% from 1983 to 1985, say suppliers, to a total of \$97 million. Other retailers didn't miss out either. Food stores, for example, racked up \$22 million in sales, a 72% gain from 1983. Calcium's sales growth outstrips the average 8% to 9% growth rate registered in health & beauty aids.

Calcium Facts

- 20 million Americans suffer from osteoporosis, a condition of brittle bones; another 35 million are at risk.
- Women are four times more likely than men to suffer from the condition.
- Osteoporosis is directly related to causing over one million fractures each year, which cost \$4 billion annually to treat.
- The average bottle of a calcium supplement is \$5.
- Some studies suggest calcium can lower blood pressure.
- Eight out of 10 women do not get the 1,000 milligrams of calcium they require daily; most women get only 500 milligrams. Post-menopausal women need 1,500 milligrams per day.
- The category garners about 15% of total vitamin footage.
- A recent study found 87% of women aware of need for calcium; 82% were aware of osteoporosis.
- An average user buys six bottles per year.

Source: *The Informationist*, Vendor data

Calcium also yields high average margins of 35% to 55%, well above average H&BA margins of 20% to 30%. Turns are a rapid nine to 10 times per year, compared with four for H&BA.

Despite the enthusiasm for the category, retailers have been reluctant to add footage to the vitamin department to house new calcium entries. And there have been so many calcium launches that retailers are sharpening their pencils to edit duplicate sku's.

"The sluggish movers will be pared," said Steve Lund at Perry Drug Stores. Perry, in fact, is pumping more support into its private-label calcium. His best national items include Os-Cal, Supplic and Cal-Sup.

Buyers say the early entries, or the sku's providing something different, are the items they'll keep in planograms. Thirty-year-old Os-Cal from Marion Labs, of course, remains the

See Calcium, page 14

MERCHANDISING TRENDS

Retailers seek ways to capture fancy of vitamin shoppers

Continued from page 13

Some say Roche's great marketing campaign has weakened following the departure of the executive who conceived it. Others feel the products will not meet with universal approval until clear anticancer claims can be made.

"You have Kellogg's who can make claims about cereal, but we can't do the same," offered Ireland-Culp. "We are lobbying to get the same treatment."

Retailers agree that some kind of uniform message and consumer education campaign is needed before the products will be widely accepted. Manufacturers are turning the tables on retailers and claiming the retailers should embark on their own educational programs and promotions.

"The retailers need to promote the category," said Anthony Spano, vp-marketing for Vita-Fresh. "A great deal of the goods have been sold to outlets like Price Club, and it's just not the right place to sell something that requires some expertise."

Others predict that more unusual items, such as Marine Lipid Oil, will capture the fancy of the vitamin consumer. K mart has had so many requests for this product (encapsulated in a soft shell) that it asked suppliers to provide it. Pharmavite will be sourcing the nation's largest retailer with its Nature Made Maxepa, a marine lipid oil. The allure of this item, said one

Midwest-based buyer, is it is linked to preventing heart disease.

Still others are eying fiber supplements as the products luring shoppers to the category in 1986 and 1987. Kicked off, of course, by the dynamic success of Fibre-Trim, several fiber supplements are commanding more space in already crowded vitamin and supplement departments.

It remains a real battle for shelf space in the nation's drug stores. "We don't want to cut back," said Connell, "because we don't want to lose this business to the supermarkets. We've seen shampoo sales go out the door and we don't want that to happen."

According to A. C. Nielsen, drug stores command a 61.5% share of the nation's vitamins sales compared to 27.8% at food stores and 10.7% at mass merchants.

Yet, drug store retailers have not increased the footage to the category in the last four years. Harco devotes 4 ft. to a controlled label, 4 ft. to national brands and 8 ft. to private label.

Private label, in fact, is so strong in the vitamin area that it outsells national labels at Perry and Walgreens. That's O.K. with many vitamin companies, since they often make house labels for the chains, too.

Eckerd is one of the few drug chains to buck the trend and recently enlarged its offering to include four major brands.



At Dart Drug, Washington, D.C., 12 ft. of vitamins help anchor the rear left corner of the store near pharmacy. Larger package sizes are set to the right.

"We felt our stores served markets ripe for vitamins," said a company spokesman. "We got behind the area and promoted it and sales are up dramatically."

Although older consumers purchase a great deal of vitamins, the typical

profile is a woman, in her mid-30's, with some college education and residing in an urban area.

L. Perrigo, maker of Nature's Glo vitamins, estimates that half the adults in America take vitamins, including 58% of women and 42% of men.

Standby characters get retail nod in children's vitamins

A cute licensed character is no guarantee of success in the \$300 million children's segment of the vitamin business.

Retailers point to the unsuccessful launches of licensed lines such as Cabbage Patch Kids and E.T. Instead, they said, the winning characters in children's brands are more traditional favorites. Flintstones, they said, is the fastest-selling children's vitamin, followed by Bugs Bunny and Scooby Doo.

Although retailers locate children's offerings on the bottom shelf—in order to catch youngster's eyes—the popularity of these more established items suggests Mom makes the selection.

To that end, some vitamin suppliers are shifting gears and hoping today's better informed mother will be more

concerned with the product than with the shape of the vitamin. For example, Pharmavite's new children's chewable vitamin line has no artificial color or sweeteners.

"We're taking a slightly different tack," said Chris Ireland-Culp, group marketing manager. "We hope the consumer realizes children's vitamins and health should not be taken lightly."

But retailers say the jury is still out. They say the enormous visibility of characters ensures children will recognize a licensed vitamin.

The typical drug chain offers two or three children's lines, plus private label. The briskest moving children's lines are still the multivitamin chewable tablets.

Retailers edit calcium sku's

Continued from page 13

best branded seller with about 30% of the market. Based on a poll of buyers, it is followed by Caltrate, Suplical and Posture. Cal-Sup by 3M was also mentioned as a strong brand, but too new a contender to have an accurate reading. Cal-Sup was able to gain space on already crowded departments because it touts a low-calorie formula.

As retailers edit their calcium selection, they are eliminating certain count sku's such as too-big count sizes. According to Marion Labs' manager of public affairs, Charles Rouse, the most popular dosages are 500 milligrams and 250 milligrams. Chewable tablets, buyers add, are gaining in popularity.

Formulas with added vitamin D are also moving well, buyers note.

Although recent studies show that 87% of the population is aware of a need for calcium, there have been negatives tossed at the mineral. For example, too much calcium is thought to exacerbate premenstrual syndrome. The recent study indicating that calcium does not combat osteoporosis is another hurdle.

Said one Midwestern buyer, "Women have been pretty convinced about calcium's worth; I don't think they'll change now."

And Rouse added, "Calcium supplements are preventative; we never said a cure. The importance of calcium is it reduces the risk of fractures."

Vendors pick up scent of copycat fragrance lode

Plan product blitz of booming segment

With the knockoff segment of the fragrance category growing prodigiously, manufacturers are tripping over themselves to enter and dominate the market.

These inroads are creating challenges for the category's pioneers and opportunities for all—manufacturers, retailers and consumers.

As chain drug store executives see it, the challenge of late 1986 and 1987 will be to filter through the myriad sku's coming into the market and identify brands and lines that will sell best.

Retailers say they will put their money on those companies:

- Who have shown a commitment to quality and service.
- Who are engaged in investing at least some money in consumer advertising "to build demand and trial."
- Who are avoiding advertising or packaging that could mislead the public into thinking they are buying original designer fragrances and not copies.
- Who have the better-looking displays and packaging "to create impulse sales from the shoppers already in the stores."

For their part, manufacturers say they recognize the need to get their marketing message across to consumers now, while "the category is still young and consumers haven't made up their minds yet as to who are their favorites," as one source put it.

Many ADF manufacturers will be launching their first major consumer advertising campaigns in late 1986 or early 1987. They will be blitzing the market with new products, new line extensions, their own branded fragrances as opposed to copycat brands of successful designer fragrances, their own giveaways and value-pack promotions, and, of course, dozens of new packs and new displays designed to make their brands stand out in the stores and generate those crucial impulse sales.

The most extensive advertising and promotional program is being offered, as one might expect, by Parfums de Coeur, the industry leader that is so far the only ADF manufacturer with national distribution in virtually all of the chain and major high-volume independent drug stores, and whose sales account for approximately 80% of the category's estimated volume.

ADF's: The beginning

The oldest and most established of the ADF manufacturers, Stamford, Conn.-based Parfums de Coeur was incorporated in July 1981, and its first brand, Ninja, was on the shelves in mass merchandise retail outlets for Christmas 1981.

Virtually overnight, Ninja, a variation of Opium, became a strong seller. Mark Laracy, Parfums president and founder, attributes Ninja's success to its quality plus the fact that designer manufacturers charged so much for fragrances like Opium and created such a heavy demand for the scent through their massive advertising campaigns that a gap existed for low-priced alternative fragrances like Ninja to fill.

Parfums de Coeur has 10 brands on the market; eight are women's fragrances like Primo (Giorgio) and Confess (Obsession) and two are men's fragrances: Lancer (Polo) and Apollo (Aramis).

Despite Ninja's and Parfums de Coeur's success (the company's sales in retail dollars will hit about \$100 mil-

lion by the end of 1986, Laracy estimates, up about 50% over last year), other manufacturers didn't rush to join in developing the category until Primo hit it really big at Christmas last year.

Primo hot

Primo, according to drug store chain executives, was the best-selling fragrance at Christmas. The brand was so hot that many retailers who were slow to spot the developing trend were sold out several weeks before Christmas, and many chains reported scrambling to try to get supplies into their stores.

When Ninja started, Laracy, a former Charles of the Ritz executive who helped launch Opium, invested in comparable essential oils so he could control the quality of Ninja and ensure that consumers who tried it as an Opium alternative would not be disappointed.

To get the initial impulse sales, he also invested in elegant packaging and eye-catching displays that invited consumers to try first Ninja and later Primo and the others and compare them to the originals.

That competitive theme, "If you like Opium, you'll love Ninja," is still in use today. But in 1986, Laracy said he will spend about \$4 million in national media to get the message across to consumers, compared with about \$2.5 million in 1985 and \$300,000 in 1982, Ninja's first full year on the market.

Scent strips

For the first time, Parfums de Coeur this year will do a major scent strip campaign in national women's magazines, geared to build demand at Christmas.

The challenge . . . will be to filter through the myriad sku's coming into the market and identify brands and lines that will sell best.

The strips will be featured for three consecutive months (October through December) in major magazines like *Glamour*, *Seventeen*, *Self*, *McCall's* and *True Story*.

In addition, Parfums will be mailing some 20 million scent strips in chain drug catalogs, including Eckerd, Osco and Longs. Last year, when Parfums used a scent strip to promote Primo in Eckerd's Christmas catalog, sales surged dramatically.

Parfums will also feature its Designer Imposter body sprays in "six to eight major women's magazines a month" to keep its brand name in front of the public all year.

For Christmas, Parfums is predicting that Confess (a variation of Obsession) will be this year's Primo.

The company is bringing out a Confess gift set for Christmas, a new 3-oz. spray perfume that will sell for \$7.50.

Deborah International

Deer Park, N.Y.-based Deborah International, which makes approximately 12 alternative fragrances right now, is tying in with chain drug store retailers in an industry first: customized co-op fashion ads for ADF's in regional editions of popular magazines like *Seventeen*.

Deborah, which began distributing ADF's to mass market stores in January, used its co-op dollars with Peoples Drug to finance what may be the industry's first customized magazine print ad for ADF's: a regional ad in the August issue of *Seventeen*. The ad fea-

Who's who in alternative designer fragrances

Company/ headquarters	Date of incorporation	Date of initial distribution	# of stores with product*	% that are drug stores	# of ADF brands	Est. '86 wholesale/ factory \$ sales (millions)**
Parfums de Coeur Stamford, Conn.	7/81	12/81	20,000	65%	10	\$60
Parfum Similaire Rutherford, N.J.	10/81	12/81	3,000	98%	52	—
Delagar Rouses Pt., N.Y.	10/46	11/83	7,000	40%	19	\$3
Preview Products Malibu, Calif.	8/84	9/84	5,000	95%	6	\$3
Dessini Columbus, Ohio	1/84	12/84	5,000	50%	12	\$2-\$5
Lenox Laboratories Shaker Heights, Ohio	3/84	6/84	20,000	40%	7	\$12-\$15
Ingenue Winter Springs, Fla.	12/82	6/85	1,000	50%	20	\$1
Westport Labs Fairfield, Conn.	1/83	8/85	11,000	90%	2	\$5-\$7
Deborah Deer Park, N.Y.	10/85	1/86	20,000	70%	12	\$15-\$20
Michelle Michaels Roslyn, N.Y.	1/83	1/86	1,500	98%	35	\$3-\$5
Dynamite Enterprises Miami, Fla.	4/72	2/86	1,000	80%	3	\$1
Yaz Miami, Fla.	10/85	4/86	2,500	75%	15	\$5-\$10

*Estimates include projections for distribution at the end of calendar 1986

**Estimates are for wholesale sales at the end of calendar 1986

Source: Drug Store News survey

tured Deborah's popular line of 1.7-oz. Scent Sational Scents for \$7.50 each under the headline: "Now You Can Have Them All." The ad tied in Peoples with the tag line: "Available at Peoples Drug, Your Family Pharmacy."

Deborah's president, Deborah Richman, said the company is planning to do similar "customized" ads with other drug chains. The company is also using art director Virginia Peshkin to create additional fashion ads as well as in-store displays for companies like Peoples, Gray Drug Fair and Austin Drug.

In addition, Deborah is beginning to advertise directly to consumers in major print publications like *Cosmo* and *People*. Its first ads, featuring scent strips that invite consumers to try and then compare a wide variety of Deborah fragrances to the original brands, are breaking this fall and will run through the Christmas holidays.

Deborah is also in the process of rolling out its version of Poison. The Deborah version, Hemlock, will begin shipping next month and should be on retail shelves in time for Christmas.

Deborah is also planning a series of value-added promotions for 1987, including one that will break in time for Valentine's Day, highlighting the company's new purse-size fragrances, which will retail for about \$4.

The company has just introduced a new four-sku line of alternative designer men's fragrances called the Champion Collection: Player (Polo), Equus (Aegean), Hunter (Halston) and Prince (Giorgio) and is about to launch a new body talcum powder and body cream. Both will be available soon in prepacks.

For Mother's Day, Deborah will be doing its first gift set: a pack of six designer fragrances, a 1/2-oz. each of six ADF perfumes for \$7.50.

Richman said that for the quality, the price is exceptionally low.

"Our first priority," she added, "has always been quality. Our master chemist, the man who creates our perfumes, has also developed some of the best-known designer brands in the world. We also purchase the most expensive essential oils containing a 16% to 20% concentration."

Delagar products

Delagar Products Inc., based in

Rouses Point, N.Y., began upgrading its category line last summer in response to its own consumer research into how and why consumers use alternative designer fragrances.

Delagar, which entered the ADF market initially with a six-unit line of copycat fragrances packaged under the Fashion Scent label, is now introducing a more upscaled version of alternative fragrances called Mystic Impressions.

Delagar will keep Fashion Scents, which is now an eight-sku line of spray colognes, but Mystic Impressions will be marketed as a line of concentrated colognes packaged in 24% lead crystal bottles imported from France.

Delagar is also introducing Classic Match, a line of knockoff colognes for men, as well as a new line of Mystic Impressions perfumed dusting powders.

Delagar will also bring out its own version of Poison in time for Christmas.

The company's director of marketing, Charles Royce, said Delagar will probably begin doing some consumer advertising next year and that Delagar will definitely be doing some value-added promotions, including free gift with purchase by next spring.

Delagar is also offering shoppers a money back guarantee if they are not fully satisfied with their purchase. Royce pointed out that Delagar believes it has a particularly strong quality story to tell consumers because they make their upscale fragrances with a stronger content of essential oils, the ingredients that, depending on their mix and quality, determine length of wear and appeal of the scent.

Mystic Impressions, for instance, is made from a base of 20% essential oils, compared with the base of just 7% used in Fashion Scent.

The company spends much of its marketing money on innovative packs (featuring curved boxes and pictures of the bottle on the pack itself), plus a selection of displays designed to be classy and elegant.

Dessini

Columbus, Ohio-based Dessini Corp. first began distributing ADF's in mass market outlets around Christmas 1984. President Sherry Dessini said her company will be

Continued on page 22

MERCHANDISING TRENDS

Fear of osteoporosis has made calcium trendy

As if there weren't enough to worry about, the makers of calcium supplements have raised another red flag. Add to the long list of fears—a list that includes fear of body odor, bad breath, dandruff and unsightly spots left by dishwashing detergent—the latest cause celebre: osteoporosis.

The so-called silent epidemic—there are no warning signs before the onslaught—is characterized by brittle, porous bones that tend to fracture, a spine that tends to compress, and a posture that as a result tends to be stooped and shriveled—the so-called dowager's hump. Sufferers can lose 4 to 6 in. in height.

Osteoporosis affects between 15 and 20 million Americans, particularly those who are small-boned, fair-skinned and female. It is more common in older women than arthritis, diabetes, heart attacks or breast cancer—so common, in fact, that 1 out of every 4 white women over 60 will suffer from it. And its incidence is likely to soar more as Americans abandon milk and related foods—dairy products being the prime source of calcium—and opt for diet sodas and coffee, which drain calcium from the system.

It is drainage ill afforded, for the National Center for Health Statistics reports that 80% of those over 35 fall short of the U.S. Recommended Daily Allowance of calcium, causing the body to sap the calcium from the bones and thus weaken them. And once that happens, and osteoporosis sets in, no treatment can halt or reverse it. The key is prevention—building strong and healthy bones before the

Eye on the
Marketplace
Bernice
Kanner



onset of menopause.

In marketing terms, that means directing the calcium supplement pitches at women 20 to 40—and often frightening them with visions of crippling disfigurement. The result is a market that has shot up “90% between 1984 and 1985, faster than the cough-cold, laxative, antacid and analgesic markets,” says Sam Alioto, product group manager for Lederle Laboratories' Caltrate.

Targeting calcium products

In 1980, total sales for calcium supplements reached an estimated \$18 million at wholesale, says Charles Rouse, public affairs manager for Marion Labs, makers of Os-Cal. Now sales are over \$120 million (\$160 million at retail) or almost seven times what they were in 1980.

“Calcium is the vitamin C or vitamin E wonder drug of the mid-80's,” adds Paul Fraioli, group marketing director at Norcliff Thayer, which makes Calcimax and calcium carbonate Tums, a 70-year-old product whose principal ingredient is calcium carbonate and which is cashing in on the calcium crusade.

Os-Cal, the oldest entry in the field, is also the largest with approximately a 30% dollar share of the market. Lederle's Caltrate commands about 15% and Nature Made,

5%. Miles' Labs' BioCal, Ayerst's Posture and Mission Pharmacal's Calcet account for another 2% each. Dozens of other brands, private labels and generic supplements make up the remaining 44%, with other giants poised to enter the market including Warner-Lambert with Suplinal and American Chicle with Theralcal.

Increasing awareness

The calcium crisis of the 1980's seems to have arisen as abruptly as did the oil crisis of the last decade. Suddenly, doctors and their patients have discovered that osteoporosis need not be an inevitable part of the aging process.

While it's possible to get too much calcium (a fact the ads

fail to mention) the bet is the calcium market is going to surge, with future sales directed to men worried about high blood pressure and colon cancer, two other areas that calcium benefits. And, though the supplements will grow with that surge, it's nice to think of getting calcium the old-fashioned way—with cookies, of course.

Elegant ADF packaging bolsters sales

Continued from page 21

putting its promotional investment dollars back into the stores with co-op advertising. **New packaging doubles sales**

Earlier this year, in time for the Mother's Day promotions, Dessini repacked its line, changing its color tones from red to yellow with black print to develop more in-store attention. Since the repack, she said, her sales have doubled.

Her 2-oz. spray mists, with a suggested retail price of \$7.99, come in prepacks of 36 with a tester and a riser card comparing the Dessini brands to the originals.

Dynamite Enterprises

Miami-based Dynamite Enterprises imports and distributes ADF eau de toilette sprays formulated, bottled and packaged in France. The designer-like bottles are made in Italy.

Dynamite, in business since 1972, just began distributing ADF brands in February: Lola (a replica of Lauren) and Power (a replica of Polo).

The company last July began shipping a third replica, Ivory Lace (White Shoulders).

Dynamite's eau de toilettes carrying a suggested retail price of \$14 for each 3 1/2 oz., while a new 1.7-oz. spray, first introduced at the NACDS cosmetics show in Orlando, carries a \$6.95 srp.

Ingenue

Orlando, Fla.-based Ingenue has been in business since Christmas 1982 and distributing ADF's into drug stores since June 1985.

The company has 20 brands right now, all perfumes. Ingenue's initial distribution was to beauty salons and specialty apparel stores. The company specializes in replicating classics like White Shoulders and Joy as well as making variations of designer fragrances.

Recently, Ingenue changed its packaging and displays from a blue theme to pink and white, which vp Lyn Carlton said is selling “very well.”

Lenox Laboratories

Lenox Laboratories, Shaker Heights, Ohio, started in business just two years ago. Their Great Pretenders line features perfumes—no co-

lognes—that come packaged in the new blister-carded purse sprays as well as in the French-style flacons of the original Rose Collection.

The Rose Collection comes in 24-piece counter prepacks or a 36-piece floorstand. Each display features the Great Pretenders brand name and has print telling shoppers they can save up to \$53 if they try “our version of” such fragrances as Giorgio, Obsession and Opium.

Starting this month, Lenox will also be advertising nationally. The company plans to spend \$400,000 in print and \$300,000 on TV to support Great Pretenders through Christmas.

Michelle Michaels

Roslyn, N.Y.-based Michelle Michaels has been distributing ADF's and private-label fragrances to beauty salons since early 1983, but only began distributing ADF's to drug and other mass market retail outlets in January.

With 35 brands, Michelle Michaels is one of the few ADF manufacturers to offer a full line of branded products. Their marketing plans, according to Shahara Chemes, vp-creative marketing, are to position the company as more than just the manufacturer/distributor of a few knockoffs.

“Our strategy,” Chemes said, “is to offer value-priced quality alternatives to working women interested in a wide selection of brands and fragrances.”

Their initial promotion dollars are also going into imported bottles and packaging.

Next year, Michelle Michaels will be coming out with its own nonreplicating brand, Shahara.

Parfum Similaire

Parfum Similaire, Union, N.J., founded in October 1981 and now a division of CCA Industries, has a line of 52 knockoff fragrances (32 women's brands and 20 men's) on the market.

They sell for \$4 for a 1/3-oz. perfume spray.

Parfum Similaire has just come out with new packaging that highlights a swirl bottle with a gold cap displayed in an open tray.

Company president Morton Edell said plans are to advertise in *Harper, Vogue, Cosmopolitan* and other major women's magazines on a regular basis in late 1986 and on through 1987.

Preview Products

Malibu, Calif.-based Preview Products, makers of the La Parfumerie brand of ADF sticks, is about to launch a more upscale line called Perfect Scents, which will feature three brands: Rodeo, L.A. and Park Avenue.

In addition to more upscale packaging, the Perfect Scents line will include a 0.5-oz. perfume and a 1.8-oz. eau de perfume, both to retail for about \$7.50.

The fragrance stick replicas of Giorgio, Lauren, Channel #5, Obsession and Opium will be joined by Channel #19. The sticks generally retail for about \$2.99.

Cosmetic Centers, a regional chain of cosmetic and health and beauty aids stores in the Washington market, is testing both the liquids and the sticks in pegged sections at the cash register and in cosmetics.

President Alfred Booth said the placement is designed to generate impulse sales from women “who don't necessarily go up to the fragrance counters to shop.”

“If we put a low-priced \$3 perfume stick near the Maybellines and the Revlon sections, we will get people to try the line,” he added.

Westport Labs

Westport Labs, Fairfield, Conn., which has two ADF's on the market, Juliano (Giorgio) and Ecstasy (Obsession), is continuing to promote its specific ADF brands by doing customized sweepstake promotions with major drug chains.

President Ed Sanford said the promotions will run at different times of the year so each chain will be able to offer an “exclusive.”

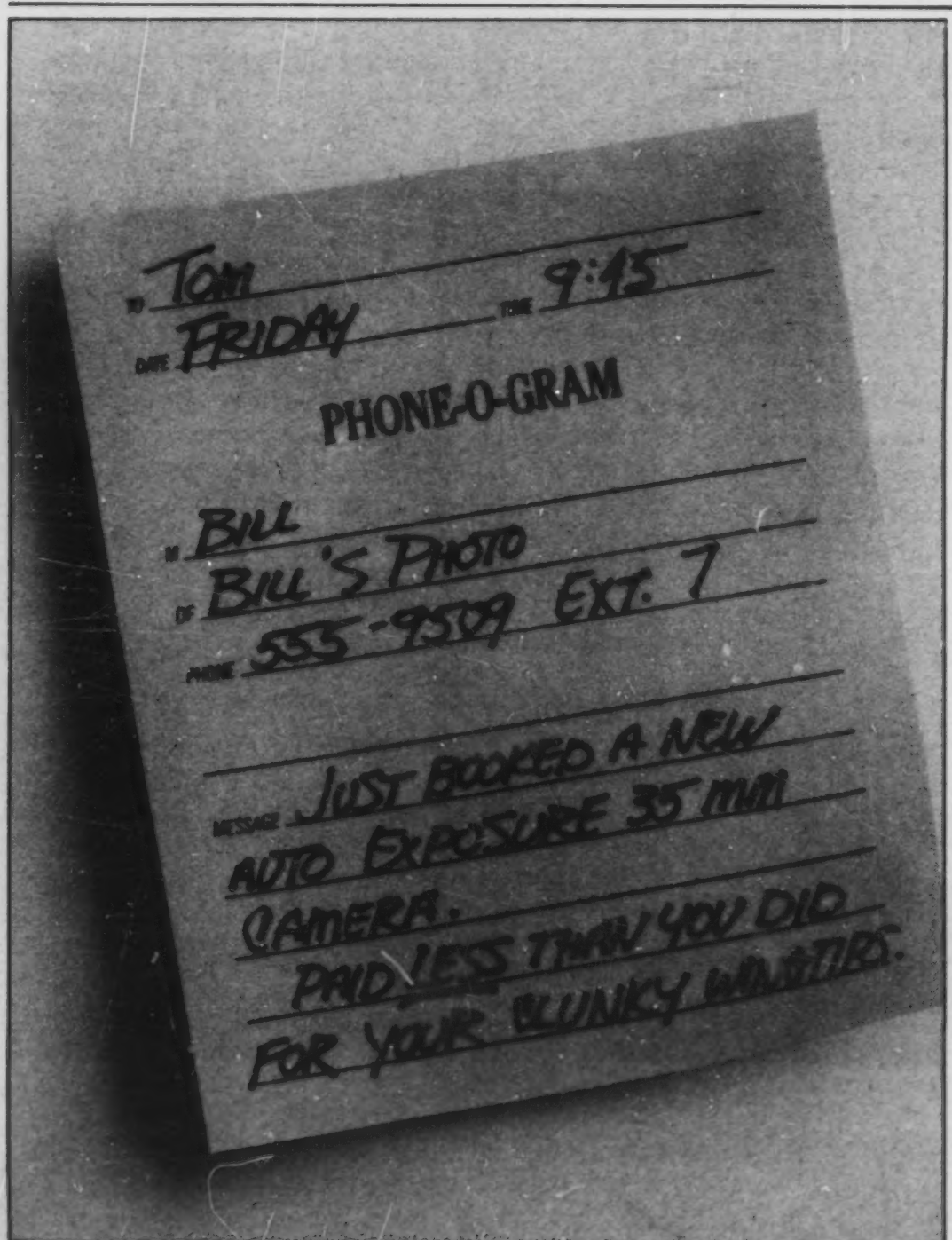
Westport is also supporting Juliano and Ecstasy with four-color, full-page ads in November in national magazines.

Yaz Enterprises

Miami-based Yaz, with 15 ADF brands on the market, is currently shipping its latest replication, Alexandria, an imitation of Obsession.

Shelky Schwartz, vp-sales and marketing, said Yaz is also “delving into” the possibility of consumer advertising and will probably have a consumer campaign by 1987.

This fall, Yaz will do its first “buy-one-get-one-free” promotion. Working with chains like Big B in Alabama to promote its 1-oz. fragrances, Yaz will offer shoppers a free \$6 eye shadow with every 1-oz. purchase of a perfume.



Available in September on
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HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Will Kodak gain foothold?

Retailers seek ways to power battery sales

Drug store retailers have so far had mixed reactions to Kodak's first battery offerings.

Walgreens, Longs, Gray Drug Fair and Adams are among chains that will add the Supralife line, because they sense growing demand for high-performance alkalines. They also anticipate Kodak's media campaign this fall, which they expect to help drive batteries and film cross-merchandising efforts.

Other chains feel Kodak is just duplicating sku's. Operators such as Big B, Austin and Snyder's expect 10% to 15% annual category sales growth to continue—powered by aggressive promotions and field support from Eveready, Duracell and Rayovac.

The air is charged, and retailers are taking different approaches to increase their battery business.

Space made for Kodak

To make room for Kodak, Gray Drug Fair is eliminating facings of all its general purpose batteries, without increasing pegged space for batteries at the front end. Gray is picking up Kodak's 4-pack AA, twin-pack C, 2-pack D and 4-pack AAA, but will hold off on the nine-volt lithium battery, believing customers aren't ready to pay the higher price point, said Allan Cohen, Gray's merchandising manager.

By doing this, Cohen will replace lower-ticket general

purpose batteries with the higher-priced alkalines.

A spokesperson at Walgreens confirmed it is picking up the Kodak batteries chain-wide.

But others believe the vendor's new gold-tipped contact points aren't enough of an innovation to set the product apart from the others, in what many consider to be a commodity category.

"The only time you want to take in new items is if you feel you are going to increase sales in the same amount of space," said Marty Milman, Austin's head buyer.

Austin achieved 125% growth in its Duracell sales this year, which Milman attributes to "reliable store support from Duracell's merchandising managers, and its national advertising."

At Big B, battery sales shot up 60% in the past year, pushed by Rayovac's \$1 rebate program and sharp sales of its year-old six-count "Smart Pack" at \$5.77, said Big B buyer Paul Bruno.

Bruno said he felt Kodak was "uncompetitive" in its set-up money and display allowances. "They need to sharpen their pencil up a little bit if they want to get the retailer's eye," said Bruno, who displays 8 ft. batteries on end-caps in high exposure front-end locations.

On the other hand, Snyder's Drugs merchandising manag-



Self-service film drop and battery displays are set conveniently by the walk-in of a new Dart Drug in downtown Washington, D.C., which attracts heavy lunchtime traffic.

er, Lance Clark, has no problem with Kodak's prices and allowances, but believes the product isn't filling a need. "All it's going to do is fragment the business. I was looking for something new and different. But it's the same size of battery at the same price

point," Clark said.

Snyder's is picking up the nine-volt lithium battery to test customer's reaction to the new technology, he said. The lithium batteries last twice as long as alkalines and retail at one-and-a-half times the alkaline price, according to Kodak.

Average household buys 27 batteries per year

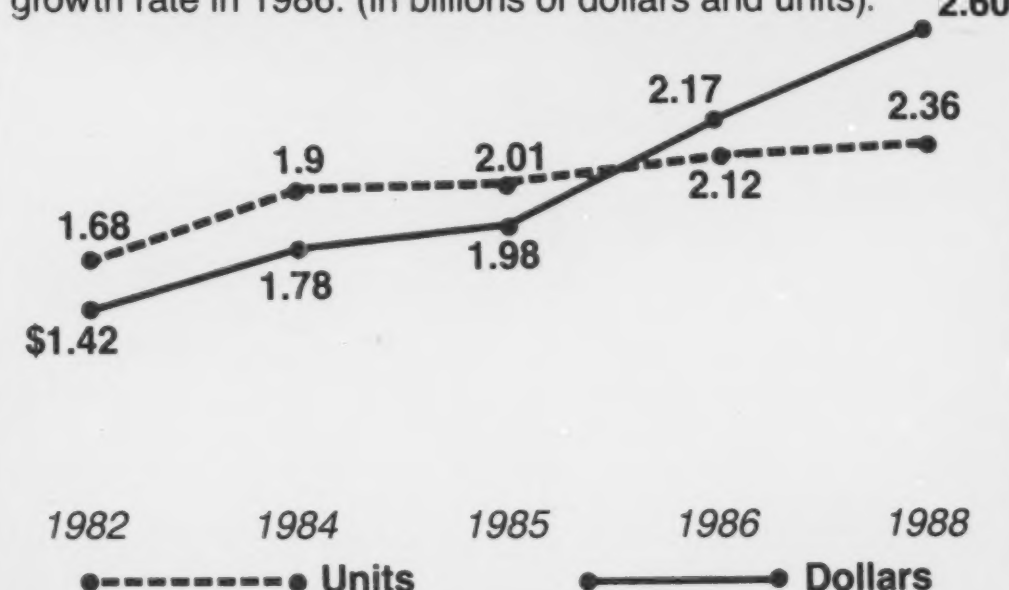
An emerging segment of heavy battery users is sparking battery sales growth. The heavy-user household buys an average of 92 batteries per year, compared to 27 by the average household.

Heavy users make up 20% of U.S. households and account for 71% of all battery sales. Their purchases are tied to growing sales of such battery-operated devices as stereo cassette players, portable televisions, and upgraded AM/FM radios. Women buy 55% of batteries, and as heads of heavy-user households, are more aware of price/value.

(Source: National Family Opinion Consumer Purchase Diary)

Battery growth

Greater sales of alkaline and heavy-duty grade batteries caused the dollar growth rate of battery sales to surpass unit growth rate in 1986. (in billions of dollars and units).



Source: A. C. Nielsen, NFO Consumer Purchase Diary. Annual dollar growth rate will continue at 9% to 10%, and annual unit growth at 5% to 6% through 1988. Unit sales of alkaline batteries will increase from 54% of the market in 1985 to 59% in 1988. Heavy duty will grow from 25% to 27%. General purpose will decline from 21% to 14%.

What powers battery sales

Product	1980	1985
Radios, radio cassettes, and cassette recorders	28%	32%
Flashlights	21	19
Toys/games	20	18
Photo equip.	9	9
Clocks	3	4
Calculators	6	3
Smoke detectors	2	3
Lanterns	1	2
Others	10	10

(Source: National Family Opinion Consumer Purchase Diary)

Film

Continued from page 16

Sav-On promoted a 2-pack of Kodacolor VR disc film for \$4.29.

Sav-On emphasized specials on prints and color enlargements, including regular size prints from slides at 39¢, color reprints from negatives at 10¢ for \$1.79, and its own Sav-On color print film, 24 exposures at \$1.99.

SuperRx advertised an everyday special of a second set of prints free.

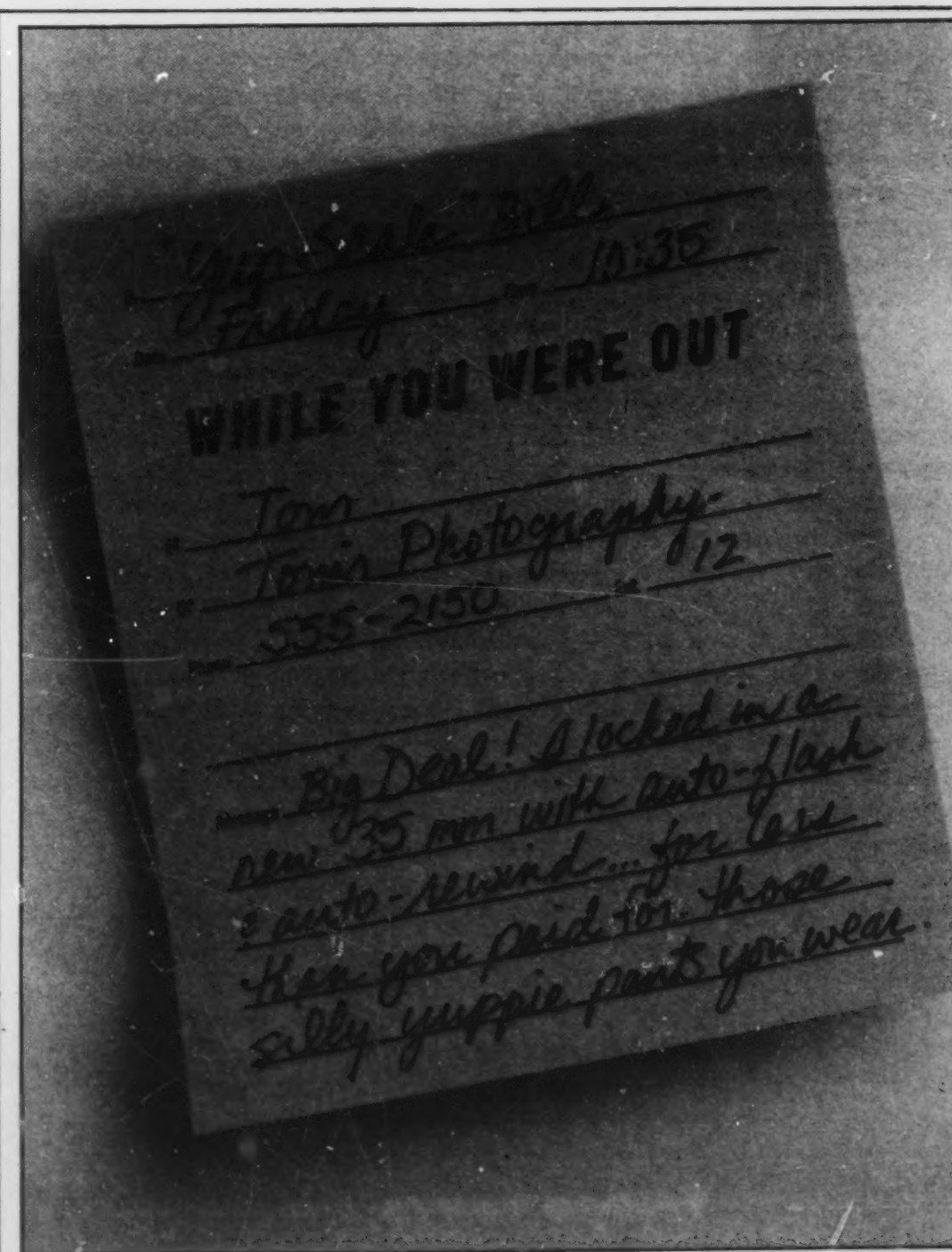
Longs promoted Fuji 24-exposure color print film at \$2.39 to \$2.79 and a CD disc 2-pack at \$3.99.

Besides promoting color print processing and enlargements, Osco Drugs offered a second set of prints for 8¢ per print.

September "Deal" gives an extra 8 1/3% off-invoice

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Plus Our Snyder Guarantee:
Back When Promised...OR
FREE (Twin Print offer does not apply to Precision 35, Custommatic or other Special Service Orders)

REPRINTS, REPRINTS, REPRINTS!
5 for \$1
Just bring in your Kodak color negative and we'll make a standard size (up to 3 1/2" x 5") print.
No limit. The coupon must accompany order. Good thru July 26, 1986. Not good with any other special offer. Two print offer does not apply to slides.
Snyder's

ENERGIZER BATTERIES

• "C" or "D" size - 2 pack
• "AAA" size - 2 pack
• 9-volt - single pack

1.59
PACK
PLU4901

AA 4 PACK 1.99
PLU4912

Sav-On

OSCO PHOTO EXPRESS

2nd set of prints 8¢ per print
when you bring in your original color roll for regular print processing.

FREE Movie Sweepstakes
Oscos Drug / Platt Theaters

Grand Prize: Round trip for 4 to Hollywood.
1500 Additional Prizes: First prize of first theater movie passes (10 winners per store).
No purchase necessary. See store for details.

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Color Print Processing
We use Kodak Paper.
12 100 24 419
12 200 24 399
when coupon accompanies order
order good only on color print processing. Excludes slides. Not valid with any other special offer. Good thru July 26, 1986. Limit: 1 coupon per coupon.

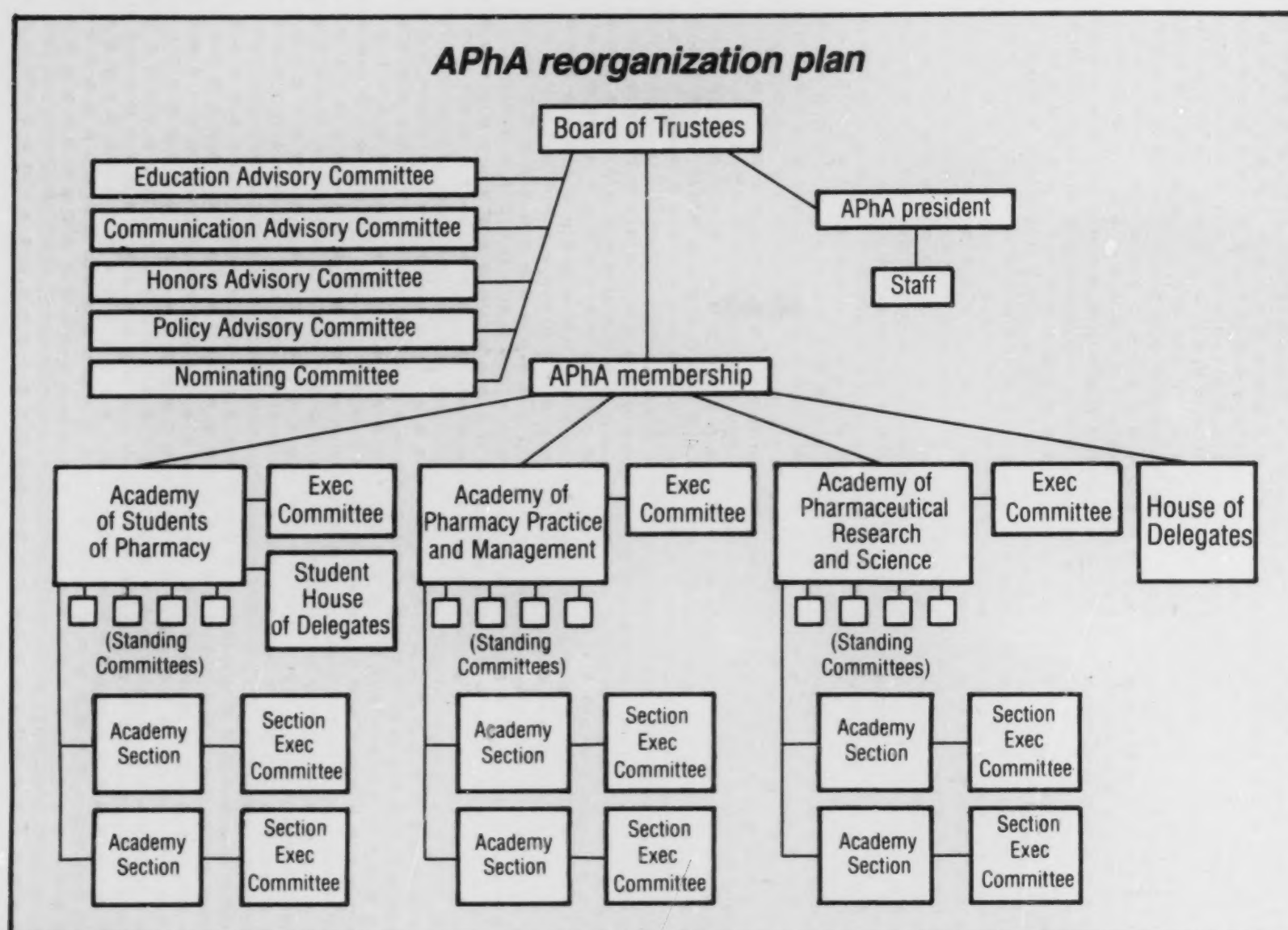
SAVE 1080
8 x 10 Color Enlargement
Best color enlargements from color prints. Excludes slides. Not valid with any other special offer. Good thru July 26, 1986. Limit: 1 coupon per coupon.

1.99
Each
color print

8¢
Second set of prints
when coupon accompanies order. Good thru July 26, 1986. Limit: 1 coupon per coupon.

Osco

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APhA scraps plan to open membership to nonpharmacists

WASHINGTON — Responding to strong opposition from rank and file pharmacists, American Pharmaceutical Association leaders scrapped controversial plans to open the organization's membership to nonpharmacists.

Instead, APhA's Board of Trustees unveiled a drastically revised reorganization plan they said would preserve the 134-year-old association as "an organization by, for, and of pharmacists."

The reworked proposal, scheduled to be presented to

APhA's House of Delegates this month, calls for three distinct sub-organizations to "conduct the major activities of APhA through standing committees":

- A broadened Academy of Pharmacy Practice and Management (APPM) representing the interest of pharmacy practitioners.
- An expanded Academy of Pharmaceutical Research and Science (APRS) to serve "the research and science interests of all members" of the association.
- A new Academy of Students

of Pharmacy (APS) to replace the current Student APhA.

Academy membership

Unlike the plan advanced by APhA's board last October, association members will not be required to hold membership in any of these academies. Moreover, the board's controversial earlier plan to abolish the elected executive committees that currently administer APhA's academies was dropped.

However, the posts of the current academy presidents still would be abolished under See APhA, page 36

Analysts see new antianxiety drug expanding market

NEW YORK — Wall Street analysts predict that Bristol-Myers' new nonaddicting anti-anxiety drug BuSpar (buspirone) will rock the \$1.1 billion retail market for tranquilizers.

"BuSpar is a very significant new product that should expand the market for anti-anxiety drugs by as much as 40%," said Christina Heuer, health care analysts for Kidder Peabody & Co. in New York.

At presstime, Bristol had received a letter from the F.D.A. informing the huge drug maker that its new drug application BuSpar, filed in late 1982, was "approvable."

Heuer said Bristol may receive formal F.D.A. approval for the drug early this month, and launch the drug in the fall.

BuSpar has caught the at-

tention of Wall Street because it is the first of a new family of anti-anxiety drugs that is not a benzodiazepine, a class of drugs that includes Valium and Tranxene. Benzodiazepines cause drowsiness, may be easily abused, and cannot be taken with alcohol.

Moreover, the benzodiazepines and their analogs are classified as controlled substances and therefore are considered "scheduled," meaning that physicians prescribing these drugs limit the number of refills and must fill out a number of forms.

Consequently, the total market for the benzodiazepine family of compounds has declined dramatically over the past 10 years. Kidder Peabody analyst Heuer said that during the mid-1970's, the to-

See Drug, page 30

Educator lists ways to boost supermarket pharmacy profit

WASHINGTON — Squeezing more Rx productivity out of pharmacists is the key to turning in-store supermarket pharmacy departments into "profit bonanzas," Harvard Business School Professor Walter J. Salmon told the nation's grocery chain executives.

Speaking at a recent workshop sponsored by the Food

Marketing Institute (FMI), Salmon revealed that the typical supermarket pharmacy must fill 67 prescriptions daily just to cover direct labor costs—particularly "high" pharmacist salaries and fringe benefits which average \$40,000 to \$45,000 annually.

Noting that food store pharmacies are the most profitable See Supermarket, page 36

Indys have potential to cash in on Rx market

Question: True or False: The independent pharmacy is in trouble?

Answer (Pick only one):

- A. True
- B. False
- C. Both of the above

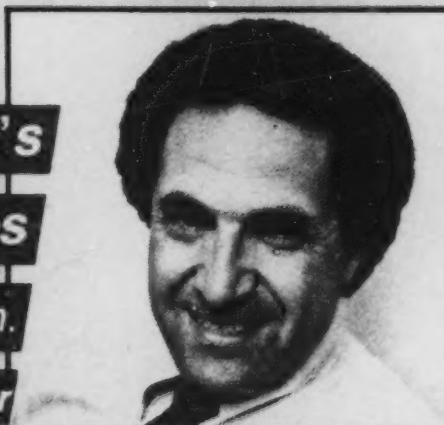
I admit, it's a difficult question to answer, but I picked C.

If you read the preliminary results of the 1986 Lilly Digest report (see Aug. 4 issue), you may have been tempted to answer A. According to that report, net profits of the average independent drug store dropped 7% despite reaching all-time high sales of \$589,000.

Although the independents' 1986 profit picture paled in comparison to the average growth rate of 9% over the past 10 years, I believe the indys are in the best position they have ever been to cash in on the pharmacy market. I base that statement on several factors.

One major force has been the rapid growth of pharmacy technology and its affordability for the independent. With a pharmacy computer system,

Cohen's
Capsules
Harold Cohen, R.Ph.
Pharmaceutical Editor



the indy can now fight the pharmacy battle on the same front as the big boys.

In another area, with the proliferation of third-party plans, patients can now get their prescriptions filled in virtually any drug store for the same copayment fee. The urgency to save money by traveling to a chain location is gone.

Also, there is a move afoot to make the pharmacy department the focal point of the drug store once again. Pharmacists in both chains and independents are being encouraged to act as consultants on

prescription as well as over-the-counter medication—a feat easily accomplished by the independent, but one the chains have really got to work at.

And in the buying department, deals for independents have never been better. Wholesalers, the key suppliers for many indys, have bent over backward to supply them with special deals that come close to what the chains pay for their product. Moreover, with the formation of buying groups, the indys have the capability of buying exactly as the chains.

But I could have just as easily answered the question with A. Although I feel that the independents are in the best position to claim their stake in the market, I fear many will remain complacent instead of accepting the challenge to build business.

To accomplish the goal of making the independents strong again, they have got to be aggressive. Buying groups and wholesale cooperatives are a must. Buying power is a key to success, but it will only unlock one door. The independent must learn to market his abilities as a consultant and advertise those services.

Overview of minor tranquilizer marketTotal minor tranquilizer market: **\$717 million**Total prescriptions: **67 million**, of which **58 million** were for the **benzodiazepines****Antidepressants**Site-stimulant tranquilizers (combination agents): **\$134 million**, **10 million scripts**Psychostimulants (which have antianxiety effects): **\$231 million**, **25 million scripts**All figures are for period from June 1985 to June 1986.
Dollar figures refer to pharmacy acquisition costs.

*Source: PDS, a division of McKesson

Antianxiety drug impact seen*Continued from page 29*

tal prescription volume for these compounds topped 90 million scripts per year. Last year, she estimated the number of scripts was 60 million.

Drug analysts predict that BuSpar should pick up the slack in the overall benzodiazepine market, and take away more market share from Librium and Valium. "The drug has a number of advantages because it does not cause drowsiness, is nonaddicting,

and probably will not be controlled," said David Saks, drug analyst with Morgan, Olmstead, Kennedy & Gardner in New York.

Saks estimated that BuSpar should bring in \$300 million to \$400 million in annual sales after three years on the market.

Kidder Peabody analyst Heuer added that BuSpar would bring more anxious patients into therapy because it could be used on a continual basis.

The F.D.A. reportedly has indicated that it will not recommend BuSpar to be classified as a controlled substance.

At presstime, details were not available on how Bristol would market the drug. However, it seems likely that its Mead Johnson Pharmaceutical Division will market the drug, since that division did a majority of the research on it.

The exact mechanism for BuSpar's antianxiety effects are not known. But according to a symposium sponsored by Mead Johnson and published as a supplement in *The American Journal of Medicine*, the drug alters the gamma-aminobutyric acid (GABA) system in the brain in a manner different from the benzodiazepines.

It is generally thought that BuSpar has more specific effects on the brain's neurotransmitters than the benzodiazepines.

Clinical trials with the drug have indicated that BuSpar causes less drowsiness than the benzodiazepines and can be taken with alcohol. Earlier in the year, results from double-blind studies at three medical centers showed that BuSpar had less of a sedative effect when compared to Tranxene. The study compared 255 anxious patients taking up to 60mg of BuSpar daily with 81 patients taking up to 90mg daily of Tranxene.

After a battery of tests, researchers concluded the two drugs were about equally effective in relieving symptoms of anxiety. However, only 13 of the 255 BuSpar patients reported drowsiness and/or fatigue, whereas 33 of the 81 patients taking Tranxene reported such side effects, according to Jay Cohn, M.D., clinical professor of psychiatry at the University of California, Los Angeles, lead author of the study.

In a telephone interview with *Drug Store News*, Dr. Cohn said he believed BuSpar would "probably be prescribed by a lot of physicians."

Other studies with the drug have shown that it does not react significantly with central nervous system depressants such as alcohol and is neither a muscle relaxant nor an anti-convulsive agent. BuSpar's side effects include dizziness, headaches and diarrhea.

Dr. Robert E. Rackel, professor and chairman, department of family medicine at Baylor College of Medicine in Houston, conducted a year long study of BuSpar for patients suffering from anxiety. The study, conducted while Dr. Rackel was at the University of Iowa, Iowa City, showed BuSpar was most effective for patients suffering mild to moderate anxiety.

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Suggested Retail	\$84.00 (\$ 7.00 ea.)	\$33.60 (\$ 2.80 ea.)
Extra Profit	4%	4%
Display Allowance*	10%*	10%*
Co-op Ad Allowance	5%	5%
TOTAL PROFIT	72%	72%

*Display allowance based on \$100 order.

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